

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name ST CLAIR AREA FIRE AUTHORITY	County ST CLAIR
Audit Date 9/30/05	Opinion Date 2/23/06	Date Accountant Report Submitted to State: 3/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS			
Street Address 60 HARROW LANE	City SAGINAW	State MI	ZIP 48638
Accountant Signature <i>Ronnie A. Berthiaume</i>		Date 3-30-06	

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2005

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

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INDEPENDENT AUDITORS' REPORT

To the St. Clair Area Fire Authority Board
St. Clair, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the St. Clair Area Fire Authority, as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the St. Clair Area Fire Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the St. Clair Area Fire Authority, as of September 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Clair Area Fire Authority's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

February 23, 2006

ST. CLAIR AREA FIRE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the St. Clair Area Fire Authority's financial statements provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basic understanding of the St. Clair Area Fire Authority's statements. These statements comprise three components: (1) government-wide financial statements, (2) fund (modified accrual) financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional information purposes.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the St. Clair Area Fire Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the St. Clair Area Fire Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund (Modified Accrual) Financial Statements

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near term financing decisions.

The St. Clair Area Fire Authority adopts an annual budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund (modified accrual) financial statements.

FINANCIAL HIGHLIGHTS

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the chart below, the Authority's assets exceeded liabilities by \$308,148 at the end of the fiscal year.

The net assets is separated into two major components, investment in capital assets net of related debt, which amounted to \$288,160 or 93% of net assets, and unrestricted net assets of \$19,988 or 7%.

When comparing this fiscal year to the previous year, net assets have increased by \$62,531, which was an increase of 25%. The increase is a result of equipment purchase exceeding depreciation and contributions from members to pay long-term debt.

The following table shows the net assets as of September 30, 2005 and 2004:

Statement of Net Assets

	<u>2005</u>	<u>2004</u>
Current assets	\$ 630,242	\$ 635,372
Capital assets	<u>1,136,599</u>	<u>708,203</u>
Total Assets	<u>1,766,841</u>	<u>1,343,575</u>
Long-term liabilities outstanding	827,690	506,411
Other liabilities	<u>617,170</u>	<u>591,547</u>
Total Liabilities	<u>1,444,860</u>	<u>1,097,958</u>
Net Assets:		
Invested in capital assets, net of related debt	301,993	190,127
Unrestricted	<u>19,988</u>	<u>55,490</u>
Total Net Assets	<u>\$ 321,981</u>	<u>\$ 245,617</u>

The following table presents the changes in net assets for the year ended September 30, 2005 and 2004:

Statement of Activities

	<u>2005</u>	<u>2004</u>
Revenues		
Fire Contracts	\$ 505,671	\$ 496,019
State Grant	-	7,500
Interest	4,418	530
Other	<u>-</u>	<u>3,500</u>
Total Revenues	<u>510,089</u>	<u>507,549</u>
Expenses		
Operations	310,417	301,558
Depreciation	112,503	82,207
Debt Service	<u>10,805</u>	<u>16,136</u>
Total Expenses	<u>433,725</u>	<u>399,901</u>
Increase in net assets	76,364	107,648
Net assets at beginning of year	<u>245,617</u>	<u>137,969</u>
Net assets at end of year	<u>\$ 321,981</u>	<u>\$ 245,617</u>

Financial Analysis of Fund (Modified Accrual) Statements

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority reported an ending fund balance of \$19,988, a decrease of \$35,502 from the prior year. The decrease is a result of significant capital purchases during the year.

BUDGETARY HIGHLIGHTS

The Authority annually prepares formal budgets with amendments made when necessary. There were no budget amendments for the year. The only significant difference between the original budget and the actual result was for capital outlay, which had an original budget of \$92,722 and actual expenditures of \$141,470 net of note proceeds used to purchase the capital outlays.

CAPITAL ASSETS

The Authority had \$1,136,599 in capital assets, net of accumulated depreciation, at September 30, 2005, which was an increase of \$428,396. During the year, the Authority purchased a fire truck, an ambulance, and made a deposit on a pumper truck. In addition, a new roof was put on the fire hall.

The following table summarizes the capital assets at September 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Building Improvements	\$ 40,845	\$ 17,905
Vehicles	1,306,207	794,086
Other Equipment	<u>24,924</u>	<u>19,086</u>
	1,371,976	831,077
Accumulated Depreciation	(235,377)	(122,874)
	<u>\$1,136,599</u>	<u>\$ 708,203</u>

During fiscal 2005, the Authority anticipates the final payment for the pumper truck in the amount of \$129,961, which will be financed with a bank note.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For fiscal 2006, the Authority has adopted a balanced budget with anticipated revenues and expenditures of \$516,000. This is an increase of \$10,329 or 2.0% from fiscal 2005.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the St. Clair Area Fire Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Area Fire Authority, 214, St. Clair, MI 48079.

ST. CLAIR AREA FIRE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	<u>Governmental Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 630,242	\$ -	\$ 630,242
Capital assets, net of accumulated depreciation			
Assets being depreciated	<u>-</u>	<u>1,136,599</u>	<u>1,136,599</u>
	<u>630,242</u>	<u>1,136,599</u>	<u>1,766,841</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accrued fire runs	\$ 84,120	\$ -	\$ 84,120
Accounts payable	2,191	-	2,191
Accrued payroll taxes	7,943	-	7,943
Deferred revenues	516,000	-	516,000
Accrued interest	-	6,916	6,916
Notes payable			
Due within one year	-	124,563	124,563
Due in more than one year	<u>-</u>	<u>703,127</u>	<u>703,127</u>
	610,254	<u>834,606</u>	<u>1,444,860</u>
Fund Balance:			
Unreserved/Undesignated	<u>19,988</u>	<u>(19,988)</u>	<u>-</u>
	<u><u>\$ 630,242</u></u>		
Net Assets			
Invested in capital assets, net of related debt		301,993	301,993
Unrestricted		<u>19,988</u>	<u>19,988</u>
Total Net Assets		<u><u>\$ 321,981</u></u>	<u><u>\$ 321,981</u></u>

See Notes to
Financial Statements

ST. CLAIR AREA FIRE AUTHORITY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets
Revenues:			
Fire Contracts			
Charter Township of East China	\$ 71,452	\$ -	\$ 71,452
Charter Township of China	54,662	-	54,662
St. Clair Township	137,492	-	137,492
City of St. Clair	242,065	-	242,065
Interest	4,418	-	4,418
	<u>510,089</u>	<u>-</u>	<u>510,089</u>
Expenditures/Expenses:			
Operations	310,417	-	310,417
Depreciation	-	112,503	112,503
Capital Outlay	540,899	(540,899)	-
Debt Service	93,704	(82,899)	10,805
	<u>945,020</u>	<u>(511,295)</u>	<u>433,725</u>
Excess of revenues over (under) expenditures/expenses	(434,931)	511,295	76,364
Other Financing Sources:			
Note Proceeds	<u>399,429</u>	<u>(399,429)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures/expenses	(35,502)	111,866	76,364
Fund Balance/Net Assets at October 1, 2004	<u>55,490</u>	<u>190,127</u>	<u>245,617</u>
Fund Balance/Net Assets at September 30, 2005	<u>\$ 19,988</u>	<u>\$ 301,993</u>	<u>\$ 321,981</u>

See Notes to
Financial Statements

ST. CLAIR AREA FIRE AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original/ Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Fire Contracts	\$ 505,671	\$ 505,671	\$ -
Interest	-	4,418	4,418
	<u>505,671</u>	<u>510,089</u>	<u>4,418</u>
Expenditures:			
Operations	319,245	310,417	8,828
Capital Outlay	92,722	540,899	(448,177)
Debt Service	93,704	93,704	-
	<u>505,671</u>	<u>945,020</u>	<u>(439,349)</u>
Excess of revenues over (under) expenditures	-	(434,931)	(434,931)
Other Financing Sources:			
Note Proceeds	-	399,429	399,429
Excess of revenues and other sources over (under) expenditures	-	(35,502)	(35,502)
Fund Balance at October 1, 2004	<u>55,490</u>	<u>55,490</u>	<u>-</u>
Fund Balance at September 30, 2005.	<u>\$ 55,490</u>	<u>\$ 19,988</u>	<u>\$ (35,502)</u>

See Notes to
Financial Statements

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Authority included in the basic financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments.

A. Reporting Entity -

The St. Clair Area Fire Authority was created as legal and administrative agency pursuant to the Urban Cooperation Act, PA 1967, Ex. Sess., No. 7. It is a quasi governmental agency organized to provide fire fighting services to the participating municipalities, currently the City of St. Clair, the Charter Townships of East China and China and St. Clair Townships. The Authority is operated by an eight (8) member board, two (2) from each of the participating municipalities.

B. Government-wide and Fund Financial Statements -

The governmental-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information of all of its activities of its authority. The St. Clair Area Fire Authority is accounted for in one governmental type fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation -

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund (modified accrual) statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets, Liabilities and Net Assets or Equity -

Cash Equivalents – Cash equivalents are deposits and short-term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase.

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following:

	<u>Years</u>
Building Improvements	27.5
Fire Trucks	10
Other Equipment	3-10

The Authority utilizes a number of assets that were purchased by the applicable entities prior to organizing as an Authority. These assets are not recorded in the Authority financial statements, but rather in the municipalities that purchased the assets.

Deferred Revenues – In both the government-wide and in the fund (modified accrual) financial statements, revenue received or recorded before it is earned is recorded as a deferred revenue. In addition, in the fund statements, revenues that are not both measurable and available are recorded as deferred revenues.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement.

In the fund financial statements, these items are recorded as an expenditure when paid.

Estimates – In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FINANCIAL STATEMENTS:

- A.** Explanation of differences between the fund (modified accrual) balance sheet and the government-wide statements of net assets (Page 5).

Fund Balance	\$ 19,988
Capital assets used in the modified accrued activities which are not financial resources and therefore are not reported in the fund statements	
Add – capital assets	1,371,976
Deduct – accumulated depreciation	(235,377)
Long-term notes payments that are not due in current period, therefore, not reported in the fund (modified accrual) activities.	(827,690)
Accrual of Interest on notes payable	(6,916)
Net Assets	<u>\$ 321,981</u>

- B.** Explanation of differences between the fund (modified accrual) statement of revenues, expenditures and changes in fund balance and the government-wide statement of net activities (Page 6).

Net changes in fund balance – modified accrual	\$ (35,502)
The fund (modified accrual) statements report capital outlay as expenditures. However, in the Statement of Net Assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add – capital outlay	540,899
Deduct – depreciation	(112,503)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.	
Principal payment on long-term liabilities	78,150
Note proceeds	(399,429)
Accrued interest on long-term notes reported in the statement of activities do not require the use of current financial resources, and therefore, not reported in the fund (modified accrual) statement	<u>4,749</u>
Change in Net Assets	<u>\$ 76,364</u>

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Uniform Budgetary and Accounting Act, PA 2 of 1968, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Authority's budget was approved at the account level.

During the year, the Authority incurred expenditures, which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Variance</u>
Operating supplies	11,785	11,803	18
Liability and Property Damage	11,148	24,355	13,207
Repair and Maintenance	14,750	15,994	1,224

NOTE 4 – DEPOSITS AND INVESTMENTS:

Deposits –

Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of September 30, 2005, the Authority only maintained one checking account with a carrying value of \$630,242, and a bank balance of \$642,577. Of the bank balance, \$100,000 was FDIC insured with the balance of \$542,577 uninsured and uncollateralized.

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5 – CAPITAL ASSETS –

Capital assets for the year ended September 30, 2005 was as follows:

	Balance at October 1, 2004	Additions	Deductions	Balance at September 30, 2005
Capital Assets, being depreciated				
Building Improvements	\$ 17,905	\$ 22,940	\$ -	\$ 40,845
Vehicles	794,086	512,121	-	1,306,207
Other Equipment	19,086	5,838	-	24,924
	<u>831,077</u>	<u>540,899</u>	<u>-</u>	<u>1,371,976</u>
Less accumulated depreciation for:				
Building Improvements	448	1,282	-	1,730
Vehicles	119,113	107,400	-	226,513
Other Equipment	3,313	3,821	-	7,134
	<u>122,874</u>	<u>112,503</u>	<u>-</u>	<u>235,377</u>
Capital Assets, net	<u>\$ 708,203</u>	<u>\$ 428,396</u>	<u>\$ -</u>	<u>\$ 1,136,599</u>

As indicated in Note 1, the Authority utilized building and equipment purchased by the member municipalities prior to the forming of the Authority. These assets are not recorded in the Authority's financial statements but rather by the municipalities that purchased the assets.

NOTE 6 – LONG-TERM DEBT:

The following summary of the changes in the long-term debt (including current portion) of the Authority for the year ended September 30, 2005:

	Balance at Oct. 1, 2004	Additions	Deductions	Balance at Sept. 30, 2005	Due within one year
Notes Payable					
Fire Truck –					
Due in annual installments of \$58,524 through July 1, 2013 including interest of 6%	\$ -	\$ 399,429	\$ -	\$ 399,429	\$ 44,013
Capital Lease					
Fire Truck –					
Due in annual installments of \$93,704, including interest of 3.07%	506,411	-	78,150	428,261	80,550
	<u>\$ 506,411</u>	<u>\$ 399,429</u>	<u>\$ 78,150</u>	<u>\$ 827,690</u>	<u>\$ 124,563</u>

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 6 – LONG-TERM DEBT – (cont'd):

The annual requirements to amortize long-term debt outstanding at September 30, 2005, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 124,563	\$ 27,665	\$ 152,228
2007	128,173	24,055	152,228
2008	132,421	19,807	152,228
2009	136,813	15,415	152,228
2010	141,351	10,877	152,228
2011	52,339	6,185	58,524
2012	54,308	4,216	58,524
2013	57,722	2,172	59,894
	<u>\$ 827,690</u>	<u>\$ 110,392</u>	<u>\$ 938,082</u>

NOTE 7 – EMPLOYEE PENSION PLAN:

Plan Description –

The Authority participates in the Municipal Employees Retirement System (MERS), a multiple employer statewide, public employee defined benefit pension plan created under Public Act of 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy –

The plan adopted by the Authority Council requires no member contributions. The Authority is required to contribute at an actuarially determined rate; the rate for fiscal 2005 was 15.29 of payroll. The contribution requirements of plan members and the Authority are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

Annual Pension Costs –

For fiscal 2005, the Authority's annual pension cost of \$5,660 for MERS was equal to the Authority's required and actual contributions.

The required contribution was determined as part of the actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 4.5% to 8.66% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the fund earns the expected rate of return (8%) and includes as adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

ST. CLAIR AREA FIRE AUTHORITY
St. Clair, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 7 – EMPLOYEE PENSION PLAN – (cont'd):

Trend Information (1)

Fiscal Year Ending Dec. 31.	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	8,200	100	-
2004	3,427	100	-

Schedule of Funding Progress (1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Over funded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2003	37,381	57,097	19,716	65	44,771	44
2004	43,717	-	43,717	-	-	-

(1) Three years of information is not available since the Authority was only formed on October 1, 2002.

NOTE 8 – FUNDING:

The Authority is financed each year by the participating municipalities. This funding represents approximately 99% of total revenues for the year ending September 30, 2005. Consequently, the Authority's ability to provide services is dependent upon the continuing support of those municipalities.

NOTE 9 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Authority has purchased issuance coverage for each of these types of losses, however, would be responsible should the limits of coverage be exceeded.

SUPPLEMENTARY FINANCIAL INFORMATION

ST. CLAIR AREA FIRE AUTHORITY

DETAILED SCHEDULE OF OPERATING EXPENDITURES FOR THE YEARS ENDED SEPTEMBER 30, 2005 and 2004

	2005		2004	
	Original/ Amended Budget	Actual	Variance Favorable (Unfavorable)	Actual
Regular Wages	\$ 174,856	\$ 171,140	\$ 3,716	\$ 142,177
Fringes	43,675	35,737	7,938	37,296
General maintenance	6,335	6,335	-	6,150
Operating supplies	11,785	11,803	(18)	14,018
Uniforms	2,448	573	1,875	3,252
Uniform Maintenance	900	900	-	1,139
Hiring / Medical Costs	1,000	1,747	(747)	2,984
Contracted services	8,900	7,800	1,100	7,850
Contracted equipment maintenance	3,840	3,840	-	3,295
Telephone	2,100	1,664	436	1,631
Gas and oil	955	130	825	50
Liability and property damage	11,148	24,355	(13,207)	23,194
Public utilities	14,000	11,753	2,247	10,857
Repair and maintenance	14,750	15,994	(1,244)	17,743
Education and training	16,490	11,516	4,974	9,952
Membership and dues	1,085	352	733	310
Miscellaneous expense	200	-	200	680
Noncapitalized equipment	4,778	4,778	-	18,980
	<u>\$ 319,245</u>	<u>\$ 310,417</u>	<u>\$ 8,828</u>	<u>\$ 301,558</u>